

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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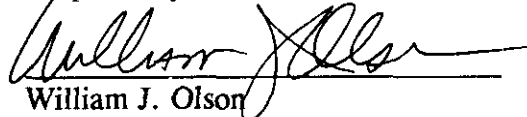
POSTAL RATE AND FEE CHANGES, 1997)

Docket No. R97-1

RESPONSE OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC.
TO UNITED STATES POSTAL SERVICE INTERROGATORIES (USPS/NDMS-T1-6-11)
(February 11, 1998)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle FilmWorks, Inc., hereby provide the responses of witness John Haldi to the following interrogatories of the United States Postal Service: USPS/NDMS-T1-6-11, filed on January 28, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



William J. Olson

John S. Miles

Alan Woll

John F. Callender, Jr.

William J. Olson, P.C.

8180 Greensboro Drive, Suite 1070

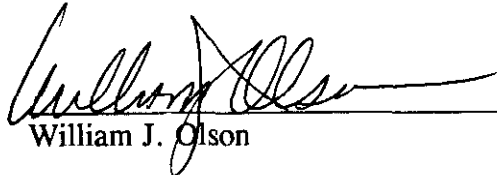
McLean, Virginia 22102-3823

(703) 356-5070

Counsel for Nashua Photo Inc., District Photo Inc.,
Mystic Color Lab, and Seattle FilmWorks, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



William J. Olson

February 11, 1998

Response of Dr. John Haldi to USPS/NDMS-T1-6

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USPS-NDMS-T1-6.

Assume that the unit mail processing cost for single piece nonstandard, under-one-ounce First-Class Mail flats is 11.1 cents higher than the unit mail processing cost of the average single piece First-Class Mail flat. Please confirm that using the formula summarized in interrogatory NDMS/USPS-ST43-18 (Docket No. R97-1; Tr. 14/7400-01), the additional cost of processing nonstandard pieces would be:

Single Piece

(1)	Manual Letters		\$0.2054	
	Average Letters		<u>\$0.1174</u>	
			\$0.0880	
	X proportion of letters		<u>19.3%</u>	\$0.0170
(2)	Flats	\$0.3243 +	\$0.111	
	Average Letters		<u>\$0.1174</u>	
			\$0.3179	
	X proportion of flats		<u>73.1%</u>	\$0.2324
(3)	Parcels		\$0.7408	
	Average Letter		<u>\$0.1174</u>	
			\$0.6234	
	X proportion of parcels		<u>7.6%</u>	\$0.0474
(4)	Total			\$0.2968

If you do not confirm, please explain in full.

Response:

Based on the assumptions proposed in the question, I confirm your arithmetic but I do not believe that they demonstrate "the additional costs of processing nonstandard pieces." Please note that I neither understand the basis for the assumptions, nor do I accept or agree with them, nor is there any such evidence in the record of this docket.

USPS-NDMS-T1-7.

Assume that the unit mail processing cost for single piece nonstandard, under-one-ounce First-Class mail flats is 11.1 cents higher than the unit mail processing cost of the average single piece First-Class Mail flat. Also assume that the mail processing cost of a single piece nonstandard, under-one-ounce First-Class parcel is the same as that of an under-one-ounce flat. Please confirm that using the formula summarized in interrogatory NDMS/USPS-ST43-18 (Docket No. R97-1; Tr 14/7400-01), the additional cost of processing nonstandard pieces would be:

Single Piece

(1)	Manual Letters		\$0.2054	
	Average Letters		<u>\$0.1174</u>	
			\$0.0880	
	X proportion of letters		<u>19.3%</u>	\$0.0170
(2)	Flats	\$0.3243 +	\$0.111	
	Average Letters		<u>\$0.1174</u>	
			\$0.3179	
	X proportion of flats		<u>73.1%</u>	\$0.2324
(3)	Parcels		\$0.4352	
	Average Letter		<u>\$0.1174</u>	
			\$0.3178	
	X proportion of parcels		<u>7.6%</u>	\$0.0241
(4)	Total			\$0.2735

If you do not confirm, please explain in full.

Response:

Based on the assumptions proposed in the question, I confirm the arithmetic but I do not believe that they demonstrate "the additional costs of processing nonstandard

Response of Dr. John Haldi to USPS/NDMS-T1-7
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pieces." Please note that I neither understand the basis for the assumptions, nor do I accept or agree with them, nor is there any such evidence in the record of this docket.

USPS-NDMS-T1-8.

Assume that the unit mail processing cost for single piece nonstandard, under-one-ounce First-Class Mail flats is 11.1 cents higher than the unit mail processing cost of the average single piece First-Class Mail flat. Also assume that the mail processing cost of a single piece nonstandard, under-one-ounce First-Class parcel is the same as that of the average flat (as was assumed in Docket No. R90-1). Please confirm that using the formula summarized in NDMS/USPS-ST43-18 (Docket No. R97-1; Tr. 14/7400-01), the additional cost of processing nonstandard pieces would be:

Single Piece

(1)	Manual Letters		\$0.2054	
	Average Letters		<u>\$0.1174</u>	
			\$0.0880	
	X proportion of letters		<u>19.3%</u>	\$0.0170
(2)	Flats	\$0.3243 +	\$0.111	
	Average Letters		<u>\$0.1174</u>	
			\$0.3179	
	X proportion of flats		<u>73.1%</u>	\$0.2324
(3)	Parcels		\$0.3243	
	Average Letter		<u>\$0.1174</u>	
			\$0.2069	
	X proportion of parcels		<u>7.6%</u>	\$0.0157
(4)	Total			\$0.2651

If you do not confirm, please explain.

Response:

Based on the assumptions proposed in the question, I confirm the arithmetic but I do not believe that they demonstrate "the additional costs of processing nonstandard

Response of Dr. John Haldi to USPS/NDMS-T1-8
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pieces." Please note that I neither understand the basis for the assumptions, nor do I accept or agree with them, *nor is there any such evidence in the record of this docket.*

Response of Dr. John Haldi to USPS/NDMS-T1-9
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USPS-NDMS-T1-9.

- a. Please confirm that the delivery cost shown at page 6 of USPS witness Hume's Exhibit USPS-18A for First-Class mail DPS'd letters is 3.335 cents and for non-DPS'd letters is 5.313 cents.
- b. Please confirm that the delivery cost shown at page 6 of witness Hume's Exhibit USPS-18A for First-Class Mail flats is 4.89 cents.
- c. Please confirm that the delivery base unit cost shown at page 6 of witness Hume's Exhibit USPS-18A for all First-Class Mail single piece letters and flats is 6.37 cents.

Response:

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.

USPS-NDMS-T1-10.

Would you expect the unit cost of delivering nonstandard First-Class Mail pieces to be greater than the unit cost of delivering standard First-Class mail letters, many of which can be DPS'd? If not, please explain.

Response:

Nonstandard First-Class Mail pieces consist of letters, flats and parcels. In order to frame an answer to this question, let us consider each shape separately.

Letters. It is my impression that nonstandard letters are both capable of being processed, and in fact are processed routinely, on automation equipment wherever such equipment has been deployed. I see no evidence that the clerks and mailhandlers attempt to cull such letters from the mailstream and subject them to manual processing. Since all nonstandard letters subject to the surcharge weigh less than one ounce, and some letters weigh in excess of three ounces (the approximate limit for automated processing), I would expect nonstandard letters as a group to be DPS'd as much as or perhaps even more than standard First-Class letters, notwithstanding the testimony of witness Daniel. To sum up, I would expect that nonstandard letters, which are said to constitute about 19 percent of all nonstandard mail, would have about the same average delivery cost as standard First-Class letters.

Flats. All flats are sequenced manually by carriers. I would expect the delivery cost of nonstandard flats to be no greater and perhaps less than the average delivery cost of all

flats (4.89 cents; see USPS/NDMS-T1-9). Flats are said to constitute about 73 percent of all nonstandard mail. Thus, I would expect the delivery cost of DPS'd nonstandard flats to be perhaps greater, by a fraction of a cent, than the delivery cost of standard letters (3.335 cents), and somewhat less than the cost of non-DPS'd letters (5.313 cents).

Parcels. Since nonstandard First-Class parcels subject to surcharge weigh less than 1 ounce, most or all of them probably are parcels by virtue of their thickness, rather than their length or height. That is, any mail piece with a length exceeding 15" or a height exceeding 12" probably has a weight exceeding 1 ounce. To the extent that such pieces are taken on a route and delivered as single pieces by a carrier, I would expect the unit cost to be greater than the cost for delivering a flat. However, a great many nonstandard First-Class parcels are known to be single rolls of film (not in a canister). Many of these nonstandard parcels arrive at the destination post office already having been sorted and consolidated into pouches or sacks by originating post offices (the cost of this sorting and consolidation being part of the higher-than-average mail processing cost ascribed to parcels). Upon arrival at the destinating post office, smaller quantities may be consolidated into larger sacks, which then are either delivered in bulk by the Postal Service (at a very low unit cost), or else they are picked up at the post office by the addressees (*e.g.*, NDMS) at no cost to the Postal Service whatsoever. This bulk handling may have a unit "delivery" cost that is lower than the unit cost of delivering standard First-Class letters.

USPS-NDMS-T1-11.

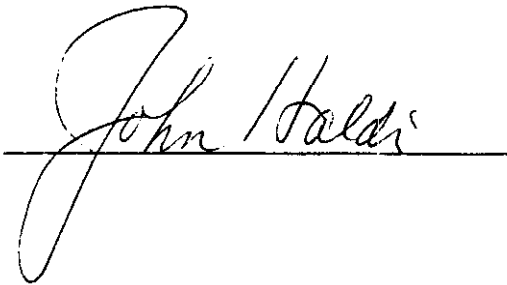
Have you attempted to calculate the unit cost of under-one-ounce First-Class mail flats or parcels using IOCS data or the methodology reflected in USPS-LR-H-182 or USPS-ST-44? If so, please provide the output of any such efforts, whether or not completed.

Response:

No.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, reading "John Haldi", is written over a horizontal line.

Dated: February 11, 1998